

Message Text

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PAGE 01 BEIRUT 04247 291508Z
ACTION SS-25

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EXDIS

E.O. 11652: GDS
TAGS: PGOV, MASS, SA, LE, US
SUBJECT: AID TO LEBANON

REF: STATE 205594

1. AM GRATIFIED TO LEARN SAUDIS ARE WILLING
HELP LEBANON IN MILITARY FIELD. THIS IS IN
MY ESTIMATION SINGLE AREA IN WHICH SUPPORT MOST NEEDED
AT PRESENT. CONTINUED ABSENCE OF LEBANESE ARMY FROM
LOCAL SCENE IS THE MAJOR OBSTACLE TO ESTABLISHMENT OF
POLITICAL AND ECONOMIC STABILITY.

2. RE ECONOMIC AID, SECRETARY MENTIONED CONSORTIUM
APPROACH DURING HIS VISIT HERE, BUT AM NOT SURE
EXACTLY WHAT HE HAD IN MIND IN THAT RESPECT BECAUSE
THERE WAS NO DETAILED DISCUSSION. CONSORTIUM IDEA
WAS DISCUSSED BY ARAB DONORS SOME SIX MONTHS AGO. AS
WE UNDERSTOOD PROPOSED APPROACH, IT WAS THAT ARAB
FUNDS AND STATES WOULD AGREE ON TOTAL AID FIGURE AND
WOULD ASK IBRD TO SUPERVISE EXPENDITURES. LEBANESE
DID NOT LIKE CONSORTIUM APPROACH, PREFERRING TO DEAL
BILATERALLY, BUT ARAB FUNDS SEEM TO HAVE USED INFOR-
MAL CONSORTIUM TACTIC IN DECIDING AMONG THEMSELVES

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WHO WOULD FINANCE WHAT PROJECTS. IBRD HAS NOT BEEN
CALLED IN TO COORDINATE, HOWEVER, AND THIS TASK
HAS BEEN LEFT TO LEBANESE DEVELOPMENT AND RECONSTRUC-
TION COUNCIL. IN A SENSE, HOWEVER, INFORMAL ARAB
CONSORTIUM ALREADY EXISTS, AND IT HAS COME FORWARD WITH MOST
OF THE MONEY REQUIRED FOR SPECIFIC INFRASTRUCTURE PROJECTS
(EXCEPT RECONSTRUCTION OF DOWNTOWN BEIRUT). WHAT

REMAINS IS TO FIND FUNDS TO REFLOAT THE PRIVATE SECTOR. IF USG IS ENTHUSIASTIC ABOUT CONSORTIUM TO, FOR INSTANCE, REBUILD BEIRUT, AND PREPARED TO PUSH IT AND, MOST IMPORTANTLY, CONTRIBUTE TO IT, THAT WOULD BE MAJOR STEP FORWARD, IT WOULD TAKE LARGER EXPENDITURE OF MANPOWER AND CASH THAN WE HAVE BEEN READY TO DEDICATE TO THIS COUNTRY PREVIOUSLY, HOWEVER. FURTHERMORE, AS REFTTEL INDICATES, NO US GRANT AID IS NOW BUDGETED FOR 1979.

4. PROBLEM OF AID TO LEBANON IS COMPLEX, LACK OF ADEQUATE MACHINERY TO SPEND AID ALREADY BEING RECEIVED HAS BEEN MAJOR DIFFICULTY. GOVERNMENT'S DECISION TO RELY ON PRIVATE SECTOR IS ANOTHER, IN THE SENSE THAT THE OTHER ARABS ARE NOT ENTHUSIASTIC ABOUT REFLOATING THE PRIVATE SECTOR WITH THEIR MONEY WHILE THERE IS STILL PLENTY OF PRIVATE LEBANESE MONEY AROUND WHICH IS NOT BEING INVESTED BECAUSE OF POLITICAL UNCERTAINTIES. SAUDIS AND OTHERS APPARENTLY FEEL IT JUST AS PREMATURE FOR THEM TO PUT MONEY INTO PRIVATE SECTOR GIVEN THOSE UNCERTAINTIES AS IT IS FOR PRIVATE BUSINESSMAN. THIS LEADS US BACK TO THE NEED FOR MILITARY AID AND THE LACK OF AN EFFECTIVE LEBANESE SECURITY FORCE IS ONE OF THE PRIME CAUSES OF UNCERTAINTY. ALTHOUGH LEBANESE THEMSELVES MUST TAKE THE BASIC ORGANIZATIONAL
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STEPS NECESSARY TO RECREATE A NATIONAL ARMY RESPONSIVE TO PRESIDENT SARKIS, US AND SAUDI WILLINGNESS TO HELP EQUIP SUCH A FORCE WILL STRENGTHEN THEIR DETERMINATION TO GET ON WITH THE JOB. AS MINISTER OF FINANCE TOLD US EARLY ON, OUR GREATEST CONTRIBUTION CAN BE IN FIELD OF SECURITY, ONCE THAT IS TAKEN CARE OF REST WILL TAKE CARE OF ITSELF.

5. TO RETURN TO CONSORTIUM, I FEEL MOST CONSTRUCTIVE THING WE COULD DO IS TO URGE PENINSULAR ARABS TO BE MORE FORTHCOMING IN FINANCING PROJECTS, INCLUDING THE RECONSTRUCTION OF BEIRUT (RATHER THAN TRYING TO GET THEM TO REFLOAT THE PRIVATE SECTOR). IF THE WAY FOR US TO DO SO IS TO BECOME INVOLVED IN THEIR INFORMAL CONSORTIUM APPROACH, AND THEY WOULD REALLY LIKE US TO DO SO, PERHAPS WE CAN CONFINE OURSELVES TO GIVING TECHNICAL ASSISTANCE. WE COULD POINT OUT THAT AS OF NOW WE HAVE COMMITTED, OR ARE PLANNING TO COMMIT, SOMETHING ON THE ORDER OF \$200 MILLION, BETWEEN MILITARY AND ECONOMIC ASSISTANCE AND THAT WE FEEL FOR IMMEDIATE FUTURE WE SHOULD CONCENTRATE ON LEBANESE ARMY RATHER THAN ECONOMY. WHAT LATTER NEEDS IS

SHOT IN THE ARM, BOTH OF FUNDS AND OF CONFIDENCE. IF SAUDIS AND OTHERS WILL DO SOMETHING ABOUT THE FIRST OF THESE, WE MAY BE ABLE TO DO SOMETHING ABOUT THE SECOND.

6. I DO NOT THINK THE IDEA OF A FORMAL STRUCTURED CONSORTIUM IS PRACTICABLE AT THIS TIME, HOWEVER. SECRETARY APPARENTLY HAD IN MIND EUROPEAN AS WELL AS ARAB INVOLVEMENT. EUROPEANS ARE DOING THEIR OWN THING THROUGH EEC AND ARE NOT GOING TO BE INTERESTED IN JOINT EFFORT THAT WILL COST THEM MONEY. SAUDIS MAY BE INTERESTED IN JOINT EFFORT, BUT WE SUSPECT PROBLEMS OF COORDINATION WITH OTHER ARABS WILL BE TOO GREAT. RATHER, I WOULD SUGGEST INFORMAL CONSULTATIONS WITH ALL THE
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ARAB FUNDS AND ARAB GOVERNMENTS AS AT LEAST THE FIRST STEP. IF THERE IS REAL INTEREST IN CONSORTIUM, PERHAPS SOMETHING MORE FORMAL COULD BE WORKED OUT LATER, BUT I WOULD BE VERY SURPRISED IF THEY ALL AGREED ON A COMMON APPROACH ANY MORE STRUCTURED THAN THAT WHICH THEY HAVE AT PRESENT. IT WOULD NOT BE IN CHARACTER.
PARKER

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